



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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ANGELIDES LAUNCHES STATEWIDE DRIVE TO SAVE SCHOOL SPENDING

Treasurer Joined by Coalition of Parents and Educators to Change Focus of Budget Debate

Citrus Heights, CA – California State Treasurer Phil Angelides, saying that education is “at the heart and soul of California’s future,” today launched a statewide effort to save school spending from proposed state budget cuts. Angelides, speaking at a news conference at Kingswood Elementary School in Citrus Heights, northeast of Sacramento, urged Gov. Gray Davis and the Legislature to reject any additional cuts in education for the current and next fiscal years. The Treasurer was joined at the news conference by parents, teachers and education officials from the Sacramento area. The group asked the governor and lawmakers to seriously consider new revenue options to help ensure a well-educated workforce for California’s future.

In a letter sent to Gov. Davis and legislative leaders earlier this week, Angelides charged that the Republican minority in the state Legislature “is refusing to even rationally discuss balanced and fair approaches” to balance the budget. Their stance, he wrote, “is undermining our fiscal integrity and blocking the critical investments needed to assure California’s continued progress.” On Thursday, he asked the governor and lawmakers to “change course on the debate over the budget,” and to ensure that the state meet its core responsibility of educating the children of California.

“The strength of our economy in the decades ahead will be in large part dictated by the smart investments we make today in the public fabric of our society,” Angelides wrote in his letter. “No other endeavor more aptly illustrates this principle than the education of our state’s youth.” The Treasurer pointed out that Californians each year spend more on automobiles than they do on the education of their elementary, middle school, and high school students and more than 10 times what’s spent on behalf of the state’s great university system.

Sydney Walker, a member of Kingswood’s Elementary Site Council, stated, “I am very concerned over the proposed budget cuts that will effect K-12 education. I would urge the Governor and the Legislature to protect K-12 education from further cuts. It is imperative that our K-3 students be able to continue with Class Size Reduction (CSR) of a 20:1 ratio.” (Mrs. Walker is a parent with four children who attend San Juan Unified schools, including three at Kingswood.)

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General Davie Jr., Superintendent of the San Juan Unified School District said, "We have been reeling from the proposed state budget cuts. The San Juan Board of Education will be sending 100's of teacher layoff notices in April. We hope we can rescind these notices if the California Legislature acts to preserve public school funding. Proposed cuts will stop the progress our schools have made. Our test scores are up and continue to rise."

In his letter to the governor and lawmakers, Angelides asked that additional revenue options be considered (in addition to those already proposed in the governor's budget) to fund education at the level needed to foster continued progress for future generations.

Nothing has transpired over the last year to lead Californians "to retreat from our commitment to first-class schools," the Treasurer wrote in his letter. "Indeed there is ample evidence that our increased investment in education over the past few years already has begun to yield positive results."

Angelides acknowledged that "no one likes new or higher taxes." But the Treasurer pointed to several economists, including Stephen Levy of the Center for Continuing Study of the California Economy and Nobel recipient Joseph Stiglitz, whose studies have concluded that temporary tax increases to pay for critical investments such as education represent better economic policy than deep spending cuts.

On Thursday, after his remarks at Kingswood and a question-and-answer session with reporters, the treasurer visited classrooms at the elementary school and spoke briefly with third- and sixth-grade students. In addition to Davie, the San Juan Unified superintendent, the Treasurer also was joined at the news conference and tour by Robert Fong, president of the Sacramento City School Board; Sharon Liddell, principal of Kingswood Elementary; and Nancy Waltz, president of the San Juan Teachers Association.

Attachment (Feb. 10, 2003 letter from Treasurer Angelides to Gov. Davis and legislative leaders)



PHILIP ANGELIDES

Treasurer
State of California

February 10, 2003

The Honorable Gray Davis
Governor

The Honorable John Burton
President pro Tempore of the Senate

The Honorable Herb Wesson
Speaker of the Assembly

I am writing this letter to express my deep concern about the direction of the debate over the state budget and about the implications of that debate on the future economic and social strength of California.

The following questions should be at the heart of the state's budget deliberations: What investments are critical to ensure California's future success? How can they be delivered in the most cost-efficient and effective manner? And, what is the best way to pay for these investments? Unfortunately, the budget debate has veered off track, as the Republican minority in the Legislature refuses to even rationally discuss balanced and fair approaches to resolving our fiscal challenges. Their stance is undermining our fiscal integrity and blocking the critical investments needed to assure California's continued progress.

The strength of our economy in the decades ahead will be in large part dictated by the smart investments we make today in the public fabric of our society. No other endeavor more aptly illustrates this principle than the education of our state's youth. Education is at the heart and soul of what California has done historically, and what it must do in the future, to provide the foundation for economic expansion and broad opportunity. Indeed, education is fundamentally critical to ensuring California's success in a globally competitive economy.

The time has come to change the focus of the debate over the budget. Instead of merely debating the extent of cuts to our children's education, we should be focusing – even in these tough times – on how we pay for education in a manner worthy of California's legacy and future. After all, if state government cannot educate the children of California, what is its purpose? Nothing has transpired over the last year which lessens the need for

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a well-educated workforce to secure our future economic strength, or which should lead us to retreat from our commitment to first-class schools. Indeed, there is ample evidence that our increased investment in education over the past few years already has begun to yield positive results.

In this regard, I urge you, as you continue your deliberations, to reject any further cuts to education in the current and next fiscal year. To accomplish this goal in a responsible manner - and to ensure that full funding for our public schools does not come at the expense of other essential services such as healthcare for families and children and aid to those most in need - new revenues will be required. I stand ready to support the measures needed to achieve this worthy goal.

I recognize the difficult task you face in enacting a budget – particularly taking into account the two-thirds vote required for approval. However, we should not allow the vital matter of education to be pushed from the center of the debate simply because a minority of legislators threatens to withhold their votes on any reasonable and rational proposal to maintain funding for California's public schools.

In urging you to take this action, I would like to offer the following for your consideration:

California stands today as the wealthiest state in the richest nation on earth. Our economy is the fifth largest in the world, with a gross state product of \$1.4 trillion. We, as Californians, spend more each year on new automobiles than we do on the education of our elementary, middle school, and high school students and more than 10 times what we spend on behalf of our great university system. The question before us is not whether we can afford to educate our children, but whether there is the political will to do so.

In 1972, when Ronald Reagan was Governor, California committed 5.6 % of the state's per capita personal income to K-12 education. Under the proposed fiscal year 2003-04 budget, state and local spending for K-12 schools will represent approximately four percent of the State's personal income. The reductions in K-12 expenditures proposed in the budget represent approximately four tenths of one percent of our annual economic output. California already ranks below the national average in funding for public education. It makes no sense to cut spending by \$10,000 per classroom at this critical moment when providing full funding requires such a small portion of our overall wealth.

We must insist on accountability and the elimination of waste in our educational system. Yet, there is no credible argument that we are devoting too many resources to the education of the six million children in our public schools. The

Republican minority should be called to task for its willingness to rip the textbooks out of our children's hands before they even consider reasonable funding proposals.

- It is clear that significant budget action is required, both in the immediate term and the long term, to restore the State's fiscal integrity. We must demonstrate to the credit rating agencies and others in the investment realm our willingness and capacity to balance our books and do so in an expeditious manner. However, the rating agencies and the market do not require that we do so by cannibalizing essential programs such as education – rather they look to whether we reasonably balance revenues and expenditures. Indeed, in my experience over the last four years, the rating agencies and investors have indicated that they view investments in areas such as education and infrastructure as critical to the state's long term economic strength – the underlying credit for our bonds. If the Republican minority were willing to abandon its unyielding position against voting for needed revenues, we could begin travelling down the road of fiscal balance and preservation of funding for education and other critical investments.
- We owe it to the people of California to begin to seriously consider what additional revenue options (apart from those proposed in the budget) are available to fund education at the level needed to foster continued progress for future generations. Californians deserve a reasoned, open, and *bipartisan* discussion of the following options, among others: Eliminating corporate tax breaks of questionable value; increasing taxes on alcohol to the national average; extending the sales tax to certain services (raising additional revenue and, perhaps, lowering the overall rate); adopting a "split roll" whereby commercial properties are assessed at market value; and restoring the top corporate tax rate to what it was under Governor Pete Wilson.
- The myopia of the Republican leadership here in California stands in stark contrast to the reasonableness of their colleagues in neighboring states and across the nation. For example, in his State of the State address, GOP Governor Kenny Guinn of Nevada called for \$980 million in new taxes—in a \$4.89 billion budget—to fund critical programs, such as education and mental health. He called wholesale cutbacks in education, among other things, "not a choice worthy of our citizens. It is not a choice for leaders, but a choice of political cowardice." He talked about a "future where we provide for higher student achievement, where more students go to college...where our children, senior citizens, and those less fortunate live safer, healthier lives. This road will allow us to develop new businesses, grow our economy, create new jobs, and build a more competitive Nevada." He went on to say, "If I had to build this budget on only our existing

revenue, I could not live with myself, and I don't know anyone who could. The time has come to say, 'enough.'"

As another example, Dirk Kempthorne, the conservative Republican Governor of Idaho, recently called for increases in cigarette and sales taxes. In doing so, he stated, "I have done something that is absolutely not part of my fiber. But I'm not going to dismantle this state, and I'm not going to jeopardize our bond rating, and I'm not going to reduce my emphasis on education."

- Spending cuts in education are going to hurt our economy today and in the long term. No one likes new or higher taxes. But as Stephen Levy, director of the Center for Continuing Study of the California Economy, points out, temporary tax increases to pay for critical investments such as education represent better economic policy than deep spending cuts. As he notes, "I know of no theory of economic prosperity and competitiveness that starts with a below-average education system." Joseph Stiglitz, the recipient of the 2001 Nobel Prize in Economics, concluded much the same in a recently published study.

As the State's chief investment officer, I am committed to working with you to rapidly restore our state's fiscal integrity *and* to ensure that we fund the critical investments such as education vital to our economic prosperity in the decades ahead. As the next phase of the budget debate begins, I hope we can stand together to fight for the policies and values essential to our state's future success, and to challenge the Republican minority to contribute to a resolution which builds our long term economic and social strength. I will do all that I can to ensure that the people of California have the kind of debate they deserve.

Please call upon me if I can be of assistance to you in your deliberations.

Sincerely,

Phil Angelides
State Treasurer

cc: Honorable Members, California Legislature